

HOUGHTON-PORTAGE TOWNSHIP
SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

June 30, 2007

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT

JUNE 30, 2007

ADMINISTRATION

Superintendent	William Polkinghorne
High School Principal	Kathryn Simila
Middle School Principal	James Luoma
Elementary Principal	Doreen Klingbeil

BOARD OF EDUCATION

President	Brad Baltensperger
Vice President	Mary Pachmayer
Treasurer	Philip Foltz
Secretary	Dan Crane
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Trustee	Susan Donnelly
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Houghton-Portage Township School District
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of and for the year then ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Houghton-Portage Township School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2007 on our consideration of Houghton-Portage Township School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Houghton-Portage Township School District's basic financial statements. The additional information on pages 37 to 48 is presented for purposes of additional analysis and is not a required part of the basic financial statement. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basis financial statements of Houghton-Portage Township School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

October 25, 2007

Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2007

This section of Houghton-Portage Township Schools annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

The state foundation allowance increased \$200 per pupil, which is approximately a 3% increase.

Additional maintenance support staff services were contracted out in order to reduce operating costs.

Major renovations of the district's swimming pool were completed for an approximate total of \$55,000.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

Overview of the Financial Statements - Continued

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including the Debt Service Fund, School Food Service, Community Service and Athletic funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Service Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, School Food Service, Community Service and Athletic Funds.

Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2007

Summary of Net Assets

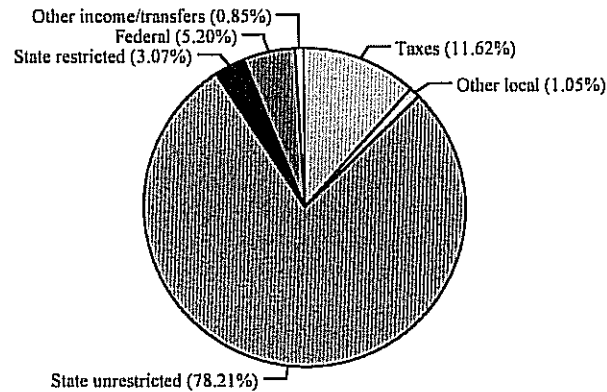
	2007	2006
Assets		
Current and other assets	\$ 2,124,628	\$ 2,190,908
Restricted cash and investments	11,002	29,788
Capital assets - Net of accumulated depreciation	14,658,399	15,122,877
Total Assets	<u>\$ 16,794,029</u>	<u>\$ 17,343,573</u>
Liabilities		
Current liabilities	\$ 4,034,419	\$ 3,644,099
Long-term liabilities	15,615,368	16,426,849
Total Liabilities	<u>19,649,787</u>	<u>20,070,948</u>
Net Assets		
Invested in capital assets - net of related debt	(3,116,584)	(3,310,423)
Restricted	129,797	52,679
Unrestricted	131,029	530,369
Total net assets	<u>(2,855,758)</u>	<u>(2,727,375)</u>
Total Liabilities and Net Assets	<u>\$ 16,794,029</u>	<u>\$ 17,343,573</u>

Results of Operations in Governmental Activities

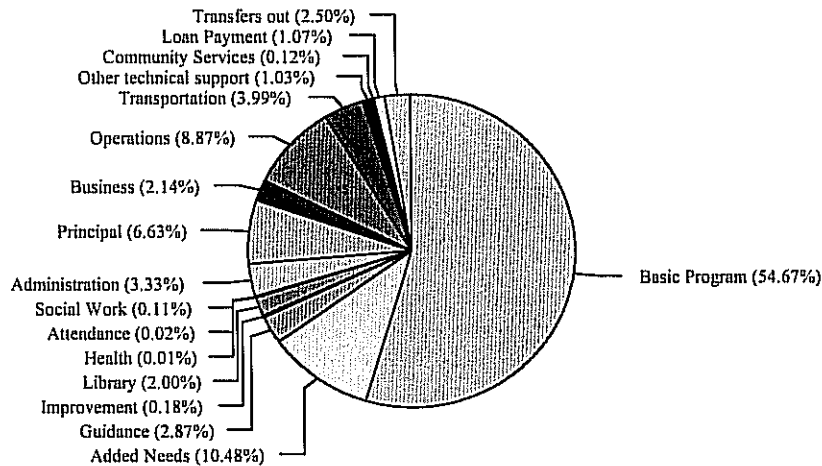
	2007	2006
Program Revenue:		
Charges for services	\$ 428,037	\$ 438,585
Grants and contributions	1,016,466	1,082,103
General Revenue:		
Property taxes	2,599,126	2,363,555
State foundation allowance	7,749,629	7,645,683
Transfers	63,677	(93,438)
Special item - gain on sale of assets	885	2,100
Other	215,654	174,904
Total Revenue	<u>12,073,474</u>	<u>11,613,492</u>
Functions/Program Expenses		
Instruction	7,184,885	6,690,007
Support services	3,236,651	3,139,157
School service	525,767	529,829
Athletics	324,164	340,251
Community services	42,641	59,764
Interest on long-term debt	878,482	863,115
Other debt	9,267	17,996
Total Expenses	<u>12,201,857</u>	<u>11,640,119</u>
Change in Net Assets	(128,383)	(26,627)
Net Assets - Beginning	<u>(2,727,375)</u>	<u>(2,700,748)</u>
Net Assets - Ending	<u>\$ (2,855,758)</u>	<u>\$ (2,727,375)</u>

The following charts highlight the District's General Fund activities:

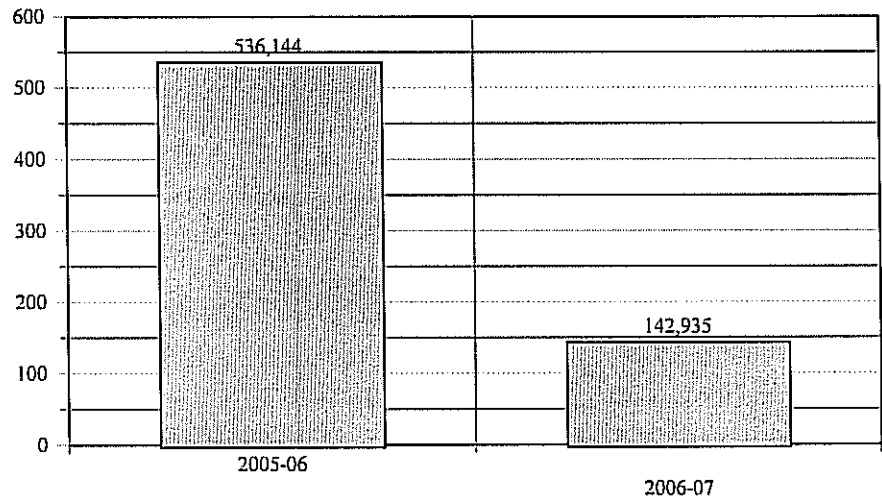
2006-07 Revenues



2006-07 Expenditures



Fund Balance Comparison



Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2007

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 9,909,167	\$ 9,782,741	\$ 126,426
Expenditures/Transfers	\$ 10,302,376	\$ 9,960,874	\$ 341,502
Fund Balance	\$ 142,935	\$ 536,144	\$ (393,209)
Debt Retirement Fund:			
Revenues/Transfers	\$ 1,503,029	\$ 1,472,832	\$ 30,197
Expenditures/Transfers	\$ 1,451,866	\$ 1,468,345	\$ (16,479)
Fund Balance	\$ 100,517	\$ 49,354	\$ 51,163
School Service Fund:			
Revenues/Transfers	\$ 572,529	\$ 526,235	\$ 46,294
Expenditures/Transfers	\$ 525,767	\$ 529,829	\$ (4,062)
Fund Balance	\$ 79,695	\$ 32,933	\$ 46,762
Athletic Fund:			
Revenues/Transfers	\$ 313,593	\$ 320,770	\$ (7,177)
Expenditures/Transfers	\$ 312,618	\$ 328,705	\$ (16,087)
Fund Balance	\$ 17,198	\$ 16,223	\$ 975
Community Service Fund:			
Revenues/Transfers	\$ 32,927	\$ 50,175	\$ (17,248)
Expenditures/Transfers	\$ 29,910	\$ 52,969	\$ (23,059)
Fund Balance	\$ 25,078	\$ 22,061	\$ 3,017
Capital Projects Fund:			
Revenues/Transfers	\$ 15,148	\$ 26,004	\$ (10,856)
Expenditures/Transfers	\$ 40,132	\$ 0	\$ 40,132
Fund Balance	\$ 1,020	\$ 26,004	\$ (24,984)

General Fund - An increase in the foundation allowance provided \$228,000 in additional state revenues, however there was a reduction in federal carryover revenues of \$51,000 and a reduction in special education pool funds of \$50,000.

In addition, salary and pension costs increased by \$265,000 and tuition for students attending alternative schools increased by \$33,000.

Debt Service Fund - There were no significant changes. Property tax revenue increased by approximately \$102,000 and there was an approximate decrease in interest on bonded debt of \$33,000.

Food Service Fund - Revenues were up due to the increased sales as well as a slight price increase for student meals, the first since the 2001-2002 school year. Expenditures for food were about the same as prior year due to good utilization of commodity foods.

Athletic Fund - Revenues decreased due to the elimination of the pop fund. Expenses decreased for the same reason with a reduction in secretarial staff.

Community Services Fund - Revenues and expenses were less because of decreased use of the Kindergarten Child Care Program.

Capital Projects Fund - The capital projects fund is funded by building rentals and the sale of fixed assets and is intended to provide funds for non-regular building repair and maintenance projects. During 2006-07, most of the funds were used to

Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2007

finance approximately 75% of the repairs to the District's swimming pool.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2007, the original budget was adopted on June 19, 2006. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	<u>\$ 9,847,211</u>	<u>\$ 9,810,797</u>	<u>\$ 9,824,166</u>	<u>\$ 13,369</u>	<u>0.1%</u>
Expenditures					
Instruction	\$ 6,571,415	\$ 6,713,606	\$ 6,711,773	\$ 1,833	0.0%
Supporting services	3,236,012	3,224,085	3,210,753	13,332	0.4%
Community services	8,402	11,454	12,731	(1,277)	-10.0%
Total expenditures	<u>\$ 9,815,829</u>	<u>\$ 9,949,145</u>	<u>\$ 9,935,257</u>	<u>\$ 13,888</u>	<u>0.1%</u>
Other financing sources (uses)	<u>\$ (253,501)</u>	<u>\$ (290,500)</u>	<u>\$ (283,003)</u>	<u>\$ (7,497)</u>	<u>2.6%</u>

The variance between original budget and final budget revenues is mainly due to the elimination of the drivers education program, a reduction in the student count of 2 FTE, and capturing building rentals in the Capital Projects Fund rather than the General Fund.

Instructional expenses increased from original budget to final budget due to the addition of 1.5 FTE teaching staff, increase in alternative education and vocational education tuition, and unbudgeted retirement payouts resulting in a total of approximately \$142,000 increase.

Other financing sources (uses) increased by approximately \$37,000 from original budget to final due primarily to the reduction in funding of the special education pool.

Capital Assets and Debt Administration

Capital Assets: The district's purchases this year consisted of a new school bus and pool repairs. The District also sold one bus. Total purchases totaled \$117,126 and the disposals totaled \$46,370 resulting in a net increase of \$70,756.

The board is committed to maintaining up-to-date technology. Computers are replaced every four to five years. Approximately \$85,000 is budgeted annually to cover lease payments for technology replacement and upgrades.

The board's philosophy is to pay cash for capital outlay items whenever possible, in order to avoid the additional cost for interest associated with borrowing. The one major exception is for computer purchases. The district replaces computers all at once every 4 or 5 years in order to avoid problems with dissimilar technology components. This would result in too large an expenditure in any one year, so the computers are financed in order to spread the cost over several years' budgets.

The school maintains a fleet of 15 buses, 4 of which are used as spares. In our experience a bus has a useable life of 10 to 12 years. It is a goal of the Board to replace one bus per year in order to maintain a safe fleet.

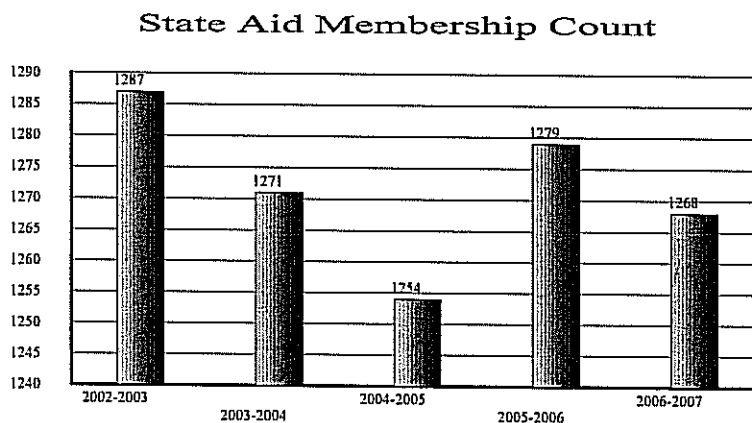
Additional information on the District's capital assets can be found on page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$17,880,601. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$652,370.

Additional information on the District's long-term debt can be found on pages 27 - 30 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts .8% decrease in the number of students enrolled from the previous year, using the State Aid Membership Count.



State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provides a foundation amount (amount per student) of \$7,085 for the 2006-07 school year. This represents an increase of \$210.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Houghton-Portage Township School District.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 116,184
Investments	262,462
Taxes receivable	220,076
Accounts receivable	67,716
Due from student groups	31,167
Due from other governmental units	1,395,669
Prepaid expenses	5,399
Inventories	25,955
TOTAL CURRENT ASSETS	<u>2,124,628</u>

NONCURRENT ASSETS:

Restricted cash	10,945
Restricted investments	57
Capital assets	21,389,285
Less: Accumulated depreciation	<u>(6,730,886)</u>
TOTAL NONCURRENT ASSETS	<u>14,669,401</u>
TOTAL ASSETS	<u>\$ 16,794,029</u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 223,736
Accrued expenses	331,542
Accrued interest	1,427,532
Other current liabilities	2,502
Due to governmental units	2,604
Short-term note payable	1,200,000
Bonds payable within one year	837,700
Deferred revenue	8,803
TOTAL CURRENT LIABILITIES	<u>4,034,419</u>

NONCURRENT LIABILITIES:

Bonds payable, due in more than one year	11,806,951
Compensated absences	105,617
School bond loan fund payable	3,702,800
TOTAL NONCURRENT LIABILITIES	<u>15,615,368</u>
TOTAL LIABILITIES	<u>19,649,787</u>

NET ASSETS:

Invested in capital assets, net of related debt	(3,116,584)
Restricted for debt service	100,517
Reserved	26,655
Designated	2,625
Unreserved	131,029
TOTAL NET ASSETS	<u>(2,855,758)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,794,029</u>

The accompanying notes to financial statements are an integral part of this statement.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	<u>Program Revenues</u>			<u>Governmental Activities</u>
				<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants and</u>	<u>Revenue and</u>
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Changes in Net</u>	<u>Assets</u>
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 7,184,885	\$ 12,960	\$ 838,284	\$ (6,333,641)
Support services	3,236,651	28,344	-	(3,208,307)
School service	525,767	289,827	167,636	(68,304)
Athletics	324,164	64,578	10,546	(249,040)
Community services	42,641	32,328	-	(10,313)
Interest on long-term debt	878,482	-	-	(878,482)
Other debt service	9,267	-	-	(9,267)
Total Governmental Activities	<u>\$ 12,201,857</u>	<u>\$ 428,037</u>	<u>\$ 1,016,466</u>	<u>(10,757,354)</u>
General Revenues:				
Property taxes, levied for general operations				1,139,787
Property taxes, levied for debt service				1,449,797
Other taxes				9,542
State school aid - unrestricted				7,749,629
Interest and investment earnings				87,502
Other				128,152
Transfers				63,677
Special item - gain on sale of assets				<u>885</u>
Total general revenues, transfers, and special items				<u>10,628,971</u>
Change in Net Assets				(128,383)
Net Assets - Beginning				<u>(2,727,375)</u>
Net Assets - Ending				<u>\$ (2,855,758)</u>

The accompanying notes to financial statements are an integral part of this statement.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 24,671	\$ -	\$ 91,513	\$ 116,184
Investments	262,462	-	-	262,462
Taxes receivable	124,543	95,533	-	220,076
Accounts receivable	46,016	-	21,700	67,716
Due from other governmental units	1,377,335	-	18,334	1,395,669
Due from other funds	35,062	-	9,817	44,879
Due from student groups	31,167	-	-	31,167
Inventory	-	-	25,955	25,955
Prepaid expenses	5,399	-	-	5,399
Restricted cash	-	10,945	-	10,945
Restricted investments	-	57	-	57
TOTAL ASSETS	<u>\$ 1,906,655</u>	<u>\$ 106,535</u>	<u>\$ 167,319</u>	<u>\$ 2,180,509</u>
LIABILITIES:				
Accounts payable	\$ 212,503	\$ 502	\$ 10,731	\$ 223,736
Accrued expenses	330,311	-	1,231	331,542
Due to other funds	9,499	5,516	29,864	44,879
Due to governmental unit	2,604	-	-	2,604
Short-term notes payable	1,200,000	-	-	1,200,000
Deferred revenue	8,803	-	-	8,803
Other liabilities	-	-	2,502	2,502
TOTAL LIABILITIES	<u>1,763,720</u>	<u>6,018</u>	<u>44,328</u>	<u>1,814,066</u>
FUND BALANCES:				
Reserved	700	100,517	25,955	127,172
Designated	2,625	-	-	2,625
Unreserved	139,610	-	97,036	236,646
TOTAL FUND BALANCES	<u>142,935</u>	<u>100,517</u>	<u>122,991</u>	<u>366,443</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,906,655</u>	<u>\$ 106,535</u>	<u>\$ 167,319</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,658,399
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(16,453,068)
Accrued interest is not included as a liability in governmental funds	(1,427,532)
Net assets of governmental activities	<u>\$ (2,855,758)</u>

The accompanying notes to the financial statements are an integral part of this statement.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	General Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
Revenues				
Local sources	\$ 1,255,737	\$ 1,487,229	\$ 528,561	\$ 3,271,527
State sources	8,053,657	-	18,034	8,071,691
Federal sources	514,772	-	149,602	664,374
Total revenues	9,824,166	1,487,229	696,197	12,007,592
Expenditures				
Instruction	6,711,773	-	-	6,711,773
Supporting services	3,210,753	-	40,132	3,250,885
School service	-	-	525,767	525,767
Athletics	-	-	312,618	312,618
Community services	12,731	-	29,910	42,641
Debt Service	-	1,451,866	-	1,451,866
Total expenditures	9,935,257	1,451,866	908,427	12,295,550
Excess (deficiency) of revenue over expenditures	(111,091)	35,363	(212,230)	(287,958)
Other Financing Sources (Uses)				
Operating transfers in (out)	(238,000)	-	238,000	-
Transfers from other districts	82,796	-	-	82,796
Other financing sources	1,320	-	-	1,320
Transfers to other districts	(19,119)	-	-	(19,119)
Loan payments	(110,000)	-	-	(110,000)
School Bond Loan Fund proceeds	-	15,800	-	15,800
Total other financing sources (uses)	(283,003)	15,800	238,000	(29,203)
Special Items				
Proceeds from sale of capital assets	885	-	-	885
Net Change in Fund Balance	(393,209)	51,163	25,770	(316,276)
Fund Balances - Beginning of year	536,144	49,354	97,221	
Fund Balances - End of year	\$ 142,935	\$ 100,517	\$ 122,991	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(464,478)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(232,082)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	(15,800)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	900,253
Change in net assets of governmental activities	\$ (128,383)

The accompanying notes to financial statements are an integral part of this statement.

HOUGHTON-PORTAGE TOWNSHIP SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Fiduciary Fund</u>
ASSETS	
Cash	\$ 266,582
TOTAL ASSETS	<u>\$ 266,582</u>
LIABILITIES	
Due to general fund	\$ 31,167
Due to student groups	83,692
Scholarship funds	<u>151,723</u>
TOTAL LIABILITIES	<u>\$ 266,582</u>

The accompanying notes to the financial statements are an integral part of this statement.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Houghton-Portage Township School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

The Houghton-Portage Township School District (the "District") is governed by the Houghton-Portage Township School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designated management, the ability to significantly influence operations, and the primary accountability for fiscal manners. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

Excluded from the reporting entity:

Houghton-Portage Township Schools Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Houghton-Portage Township School students. The foundation is excluded from the reporting entity because the school does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, Athletic Activities, and Community Service Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds – Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are not included in the government-wide statements.

The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

The Scholarship Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals or private organizations designated for scholarship purposes. The Fund distributes the assets according to scholarship requirements.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenues earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Property Taxes

Property taxes levied by the District are collected by the City of Houghton and Portage Township and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	18.00
Debt service fund - Homestead and non-homestead	8.89

Receivables and Payables

Activity between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

General Fund utilizes the purchase method of recording inventories and supplies. Inventory in the District's School Food Service Fund and Gremingdales (book store) consists of food, a la carte items, supplies, and USDA commodities totaling \$25,955. The District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for accrued benefits reported in the district-wide statements in the amount of \$105,617 consisted of accrued vacation.

Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is not vested liability for unused sick leave.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

As of June 30, 2007 the District had the following investments:

Investment Type	Fair Value	Rating	%
MILAF - MIMAX	\$ 262,462	AAA	99.98%
MILAF-CASH MGMT	57	AAA	0.02%
TOTAL	<u>\$ 262,519</u>		<u>100.00%</u>

Interest Rate Risk - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$125,871 of the District's bank balance of \$439,100 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE C - CASH AND INVESTMENTS (Continued)

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 116,184	\$ 0	\$ 116,184
Restricted cash	10,945	264,582	275,527
Total cash and cash equivalents	127,129	264,582	391,711
Investments	262,462	0	262,462
Restricted investments	57	0	57
Total investments	262,519	0	262,519
Total deposits and investments	\$ 389,648	\$ 264,582	\$ 654,230

NOTE D - FIXED ASSETS

Fixed Asset activity of the District's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	\$ 1,323,619	\$ 0	\$ 0	\$ 1,323,619
Fixed assets being depreciated:				
Building and additions	17,842,816	0	0	17,842,816
Improvements other than building	111,413	56,268	0	167,681
Equipment and furniture	845,585	0	0	845,585
Vehicles other than buses	174,814	0	0	174,814
School buses	709,677	60,858	46,370	724,165
Other assets	310,605	0	0	310,605
Subtotal	19,994,910	\$ 117,126	\$ 46,370	20,065,666
Accumulated depreciation:				
Building and additions	4,708,106	\$ 358,259	\$ 0	5,066,365
Improvements other than building	52,687	6,041	0	58,728
Equipment and furniture	558,169	111,580	0	669,749
Vehicles other than buses	143,012	14,809	0	157,821
School buses	523,576	76,686	46,370	553,892
Other assets	210,103	14,228	0	224,331
Subtotal	6,195,653	\$ 581,603	\$ 46,370	6,730,886
Net capital assets being depreciated	13,799,257			13,334,780
Net capital assets	\$ 15,122,876			\$ 14,658,399

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE D - FIXED ASSETS (Continued)

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Athletic	\$ 11,546
Instruction	467,166
Operations	18,346
Technology	6,067
Transportation	78,478
Total governmental activities	<u>\$ 581,603</u>

NOTE E - RECEIVABLES

Receivables from governmental units at June 30, 2007 consist of the following:

	General Fund	School Service	Total
State aid	\$ 1,361,263	\$ 0	\$ 1,361,263
Federal revenue	0	18,297	18,297
Other	16,072	37	16,109
	<u>\$ 1,377,335</u>	<u>\$ 18,334</u>	<u>\$ 1,395,669</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2007 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 35,062	General	\$ 9,499
School Service	7,469	School Service	318
Athletic	318	Athletic	3,842
Community Service	2,030	Community Service	0
Capital projects	0	Capital projects	25,704
Debt Retirement	0	Debt Retirement	5,516
TOTAL	<u>\$ 44,879</u>	TOTAL	<u>\$ 44,879</u>
Fund	Transfer In	Fund	Transfer Out
Athletic	<u>\$ 238,000</u>	General	<u>\$ 238,000</u>

NOTE G - SHORT-TERM NOTE PAYABLE

On August 18, 2006, the District obtained a one year operating loan from the Michigan Municipal Bond Authority in the amount of \$1,200,000 with an interest rate of 3.68%. The loan, which is pledged by future state aid payments, will provide funds for general operating expenditures. Interest is due semi-annually and principal is due at maturity on August 20, 2007.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE H - LONG TERM DEBT

Bonds Payable 1991 Issue

On August 29, 1991, the District issued \$435,180 of unlimited tax general obligation bonds to advance refund \$435,077 of School Bond Loan Fund loans.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 4.6% to 7.1% per annum. Interest payments started on May 15, 1992, and are payable semiannually on May 15, and November 15 as indicated. The bonds are to be both term and serial.

Bonds maturing on or after May 15, 2002, shall be subject to redemption prior to maturity at the option of the School Board in such order as the School Board may determine and by lot within any maturity, on any May 15 or November 15 occurring on or after May 15, 2001, at par.

<u>Fiscal Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2007-2008	\$ 82,301	\$ 37,699	\$ 120,000
2008-2009	85,124	34,876	120,000
2009-2010	123,921	46,079	170,000
2010-2011	41,097	13,903	55,000
	<u>\$ 332,443</u>	<u>\$ 132,557</u>	<u>\$ 465,000</u>

1998 Advance Refunding

On March 1, 1998, the District issued \$8,815,000 of general obligation - unlimited tax bonds to advance refund \$8,250,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used for the refunding of the 1996 Building and Site Bonds dated June 6, 1996.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 3.80% to 5.00% per annum. Interest payments started on May 1, 1998, and are payable semiannually on May 1, and November 1, as indicated. The bonds are to be both term and serial.

The Bonds, or \$5,000 portions thereof, maturing on or after May 1, 2009 shall be subject to redemption prior to maturity, at the option of the Issuer in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2008, at par and accrued interest to the date fixed for redemption.

The Bonds due May 1, 2021 and May 1, 2026, are term bonds subject to mandatory redemption in part.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2007-2008	\$ 191,539	\$ 191,539	\$ 280,000	\$ 663,078
2008-2009	185,239	185,239	280,000	650,478
2009-2010	178,939	178,939	280,000	637,878
2010-2011	172,499	172,499	305,000	649,998
2011-2012	165,331	165,331	300,000	630,662
2012-2013	158,131	158,131	300,000	616,262
2013-2018	653,738	653,738	2,230,000	3,537,476
2018-2023	355,500	355,500	2,410,000	3,121,000
2023-2026	70,125	70,125	1,405,000	1,545,250
	<u>\$ 2,131,041</u>	<u>\$ 2,131,041</u>	<u>\$ 7,790,000</u>	<u>\$ 12,052,082</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE H - LONG TERM DEBT (Continued)

2001 Energy Conservation Improvement Bond

On June 25, 2001, the District issued \$310,000 of Energy Conservation Improvement Bonds. The proceeds of the bonds were used for roof repairs and other improvements that would conserve energy.

The bond issue matures as indicated below with interest not to exceed 5% per annum. Interest payments started on November 1, 2001, and are payable semiannually on May 1, and November 1, as indicated. The bonds are to be both term and serial.

<u>Fiscal Year</u>	<u>November 1</u> <u>Interest</u>	<u>May 1</u> <u>Interest</u>	<u>May 1</u> <u>Principal</u>	<u>Total</u>
2007-2008	\$ 3,468	\$ 3,468	\$ 35,000	\$ 41,936
2008-2009	2,680	2,680	35,000	40,360
2009-2010	1,857	1,857	35,000	38,714
2010-2011	1,000	1,000	40,000	42,000
	<u>\$ 9,005</u>	<u>\$ 9,005</u>	<u>\$ 145,000</u>	<u>\$ 163,010</u>

2002 Advance Refunding

On January 21, 2002, the District issued \$6,715,000 of general obligation unlimited tax bonds to advance refund \$6,485,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to pay certain costs of issuance relating to the refunding of the 1992 Refunding Bonds dated January 1, 1993.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 2.85% to 4.50% per annum. Interest payments started on November 1, 2002, and are payable semiannually on May 1, and November 1, as indicated. The bonds are to be both term and serial.

The Bonds, or \$5,000 portions thereof, maturing on or after May 1, 2013 shall be subject to redemption prior to maturity, at the option of the Issuer in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2012, at par and accrued interest to the date fixed for redemption.

<u>Fiscal Year</u>	<u>November 1</u> <u>Interest</u>	<u>May 1</u> <u>Interest</u>	<u>May 1</u> <u>Principal</u>	<u>Total</u>
2007-2008	\$ 94,979	\$ 94,979	\$ 485,000	\$ 674,958
2008-2009	85,885	85,885	515,000	686,770
2009-2010	75,714	75,714	515,000	666,428
2010-2011	65,285	65,285	640,000	770,570
2011-2012	52,005	52,005	740,000	844,010
2012-2013	36,280	36,280	790,000	862,560
2013-2014	18,900	18,900	840,000	877,800
	<u>\$ 429,048</u>	<u>\$ 429,048</u>	<u>\$ 4,525,000</u>	<u>\$ 5,383,096</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE H - LONG TERM DEBT (Continued)

Durant Bond

As part of the Durant settlement non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued \$88,227 of school improvement bonds for the purpose of purchasing various supplies and equipment for technological improvements to the District.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 1999 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bond is not subject to redemption prior to maturity and the District will not issue any other bonds or obligations for the purpose of refunding this bond. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bond is the obligation of the District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2007, the bonds were "refunded." The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

<u>Fiscal Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2008-2009	\$ 1,286	\$ 4,910	\$ 6,196
2009-2010	1,052	5,144	6,196
2010-2011	807	5,389	6,196
2011-2012	550	5,645	6,195
2012-2013	10,620	31,007	41,627
	<u>\$ 14,315</u>	<u>\$ 52,095</u>	<u>\$ 66,410</u>

School Bond Loan Fund

The District borrowed from the Michigan School Bond Loan Fund for the purpose of making principal and interest payments on bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2007, the balance due to the School Bond Loan Fund was \$4,911,087 including accrued interest of \$1,315,087.

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans from the School Bond Loan Fund is established by the state at the time of borrowing and remains fixed for that specific borrowing until repayment. The rate at June 30, 2007 was 4.75%.

School Loan Revolving Fund

During the year ended June 30, 2007, the District borrowed from the Michigan School Loan Revolving Fund for the purpose of making principal and interest payments on the above bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. During the year ended June 30, 2007 the District borrowed \$15,800 from the School Loan Revolving Fund to cover debt payments on bond issues. At June 30, 2007, the balance due to the School Loan Revolving Fund was \$112,295 including accrued interest of \$5,495.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE H - LONG TERM DEBT (Continued)

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans from the School Loan Revolving Fund is established by the state at the time of borrowing and remains fixed for that specific borrowing until repayment. The rate at June 30, 2007 was 4.8%.

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007	Current Portion
1991 SBLF Refunding	\$ 157,809	\$ -	\$ 25,252	\$ 132,557	\$ 37,699
1998 Refunding	8,070,000	-	280,000	7,790,000	280,000
2002 Refunding	5,010,000	-	485,000	4,525,000	485,000
Energy Bond	175,000	-	30,000	145,000	35,000
Durant Bond	52,095	-	-	52,095	-
Notes Payable	80,000	-	80,000	-	-
School Bond Loan	3,687,000	15,800	-	3,702,800	-
	<u>17,231,904</u>	<u>15,800</u>	<u>900,252</u>	<u>16,347,452</u>	<u>\$ 837,699</u>
SBLF Interest	1,093,373	227,210	-	1,320,583	
Accrued Interest	108,023	-	1,074	106,949	
Accrued Benefits	99,671	5,946	-	105,617	
TOTAL	<u>\$ 18,532,971</u>	<u>\$ 248,956</u>	<u>\$ 901,326</u>	<u>\$ 17,880,601</u>	

As of June 30, 2007, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2007-2008	\$ 837,699	\$ 662,273	\$ 1,499,972
2008-2009	869,786	634,018	1,503,804
2009-2010	881,223	637,993	1,519,216
2010-2011	1,004,292	519,472	1,523,764
2011-2012	1,045,645	435,222	1,480,867
2012-2013	1,121,007	399,442	1,520,449
2013-2018	3,070,000	1,345,276	4,415,276
2018-2023	2,410,000	711,000	3,121,000
2023-2026	5,107,800	140,250	5,248,050
	<u>\$ 16,347,452</u>	<u>\$ 5,484,946</u>	<u>\$ 21,832,398</u>

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or after attaining age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 16.34% of covered compensation through September 30, 2006 and 17.74% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$953,853 and equals the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2006 for the MPSERS as a whole, the actuarial accrued liability was \$48.2 billion. The pension plan net assets were \$43 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 89%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2006 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2006 annual report.

The State of Michigan is responsible for the payment of retirement benefits.

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employees. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE J - FUND BALANCE - DESIGNATED

A Designated Fund Balance has been established to account for those resources currently available for use, but expendable for specified purposes. The School Board has designated \$2,625 for the purpose of funding a catastrophic illness program for all employees.

NOTE K - FUND BALANCE - RESERVED

The reserved fund balance, in the General Fund, represents contributions toward the purchase of a piano for the Alumni Auditorium in the amount of \$700.

The Debt Service Fund balance is reserved for retirement of debt.

The Reserved Fund Balance, in the School Food Service Fund, represents inventory in the amount of \$25,955.

NOTE L - STATE FOUNDATION REVENUE

Effective as of fiscal year 1994-95 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The foundation allowance is based on the average of pupil membership counts taken in February and October of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The District levies 17.9964 mills for non-homestead property taxes. The State revenue is recognized during the foundation period (currently the fiscal year).

2006-07 Foundation		\$	7,085.00
Less Local Support:			
Non-Homestead Tax Value	65,378,886		
Multiplied by mills	<u>18.0</u>		
Total Local Support	1,176,820		
Divided by General Education K-12 membership	<u>1,246.02</u>		
Calculated Local Support			<u>(944.46)</u>
2006-07 Foundation Grant Allowance Per Pupil		\$	<u><u>6,140.54</u></u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE M - CONTINGENT LIABILITIES

Risk Pool

Houghton-Portage Township School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Houghton-Portage Township School District joined together with other school districts currently operating a common risk management and insurance program. Houghton-Portage Township School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Houghton-Portage Township School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2007, which can be obtained through the District.

NOTE N - SUBSEQUENT EVENT

Michigan Municipal Bond Authority: On August 20, 2007, the District entered into a note with the Michigan Municipal Bond Authority School Loan Fund. The principal amount and the interest rate on the Note shall not exceed \$1,400,000 and 3.68% per annum, respectively. The note matures on August 20, 2008. The loan, which is pledged by future state aid payments, will provide funds for general operating expenditures.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 1,130,805	\$ 1,109,750	\$ 1,255,737	\$ 145,987
State sources	8,202,918	8,187,589	8,053,657	(133,932)
Federal sources	513,488	513,458	514,772	1,314
TOTAL REVENUE	<u>9,847,211</u>	<u>9,810,797</u>	<u>9,824,166</u>	<u>13,369</u>
EXPENDITURES:				
Instruction	6,571,415	6,713,606	6,711,773	1,833
Supporting services	3,236,012	3,224,085	3,210,753	13,332
Community services	8,402	11,454	12,731	(1,277)
TOTAL EXPENDITURES	<u>9,815,829</u>	<u>9,949,145</u>	<u>9,935,257</u>	<u>13,888</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,382	(138,348)	(111,091)	27,257
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	130,000	80,000	82,796	2,796
Other financing sources	-	-	1,320	(1,320)
Operating transfers out	(251,001)	(238,000)	(238,000)	-
Other outgoing transfers	(22,500)	(22,500)	(19,119)	3,381
Principle and interest payments	(110,000)	(110,000)	(110,000)	-
Total other financing sources (uses)	(253,501)	(290,500)	(283,003)	4,857
SPECIAL ITEMS				
Proceeds from sale of capital assets	-	-	885	885
NET CHANGE IN FUND BALANCE	<u>\$ (222,119)</u>	<u>\$ (428,848)</u>	<u>(393,209)</u>	<u>\$ 32,999</u>
FUND BALANCE - BEGINNING OF YEAR			<u>536,144</u>	
FUND BALANCE - END OF YEAR			<u>\$ 142,935</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

HOUGHTON-PORTRAGE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Taxes	\$ 1,010,805	\$ 1,139,787	\$ 128,982	\$ 1,015,647
Penalties and interest	11,000	11,505	505	5,252
Investment revenue	50,000	47,445	(2,555)	38,713
Tuition	12,745	12,960	215	18,235
Rentals	12,000	13,916	1,916	22,475
Contributions	6,700	19,484	12,784	17,890
Miscellaneous	6,500	10,640	4,140	8,427
Total local sources	<u>1,109,750</u>	<u>1,255,737</u>	<u>145,987</u>	<u>1,126,639</u>
State sources:				
Unrestricted grants:				
State aid	<u>7,878,892</u>	<u>7,749,629</u>	<u>(129,263)</u>	<u>7,645,683</u>
Restricted grants:				
Grants	17,304	17,304	-	31,030
At-risk	132,571	132,053	(518)	128,281
Special education	<u>158,822</u>	<u>154,671</u>	<u>(4,151)</u>	<u>166,419</u>
Total restricted grants	<u>308,697</u>	<u>304,028</u>	<u>(4,669)</u>	<u>325,730</u>
Total state sources	<u>8,187,589</u>	<u>8,053,657</u>	<u>(133,932)</u>	<u>7,971,413</u>
Federal sources:				
Title I	217,778	217,778	-	230,625
Title V	922	922	-	1,832
Title II	69,758	69,758	-	107,758
Even start	225,000	225,000	-	225,000
Service Provider self review grant	-	1,314	1,314	547
Total federal sources	<u>513,458</u>	<u>514,772</u>	<u>1,314</u>	<u>565,762</u>
TOTAL REVENUES	<u>9,810,797</u>	<u>9,824,166</u>	<u>13,369</u>	<u>9,663,814</u>
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	2,234,482	2,223,514	10,968	2,139,810
Middle School	1,177,214	1,175,545	1,669	974,683
High School	<u>2,230,021</u>	<u>2,233,409</u>	<u>(3,388)</u>	<u>1,991,314</u>
Total basic program	<u>5,641,717</u>	<u>5,632,468</u>	<u>9,249</u>	<u>5,105,807</u>
Added needs:				
Special education - Elementary School	128,628	128,111	517	123,125
Special education - Middle School	118,590	116,298	2,292	115,923
Special education - High School	253,117	258,592	(5,475)	256,740
Compensatory education	212,734	215,777	(3,043)	225,726
At-risk	85,970	87,677	(1,707)	162,142
Vocational education	47,850	47,850	-	-
Technical skills training	<u>225,000</u>	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total added needs	<u>1,071,889</u>	<u>1,079,305</u>	<u>(7,416)</u>	<u>1,108,656</u>
Total instruction	<u>6,713,606</u>	<u>6,711,773</u>	<u>1,833</u>	<u>6,214,463</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2007

Supporting services:	BUDGET	ACTUAL	VARIANCE	2006
Pupil:				
Guidance	295,249	295,957	(708)	280,504
Health	1,104	817	287	856
Attendance	2,291	2,564	(273)	-
Social Work	10,800	11,034	(234)	-
Total pupil	309,444	310,372	(928)	281,360
Instructional staff:				
Improvement of instruction	24,895	18,714	6,181	24,576
Library	204,398	205,728	(1,330)	201,583
Total instructional staff	229,293	224,442	4,851	226,159
General administration:				
Board of education	140,960	143,282	(2,322)	119,171
Executive administration	201,120	199,375	1,745	192,314
Total general administration	342,080	342,657	(577)	311,485
School administration:				
Office of principal - Elementary School	209,597	206,349	3,248	219,431
Office of principal - Middle School	164,866	164,076	790	149,412
Office of principal - High School	308,659	312,265	(3,606)	291,267
Total school administration	683,122	682,690	432	660,110
Business-fiscal services	224,068	220,578	3,490	208,690
Operation & maintenance	914,666	913,551	1,115	936,157
Pupil transportation	419,100	410,561	8,539	422,005
Other technical support	102,312	105,902	(3,590)	105,487
Total supporting services	3,224,085	3,210,753	13,332	3,151,453
Community services	11,454	12,731	(1,277)	6,795
TOTAL EXPENDITURES	9,949,145	9,935,257	13,888	9,372,711
EXCESS OF REVENUES OVER EXPENDITURES	(138,348)	(111,091)	27,257	291,103
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	80,000	82,796	2,796	116,827
Other financing sources	-	1,320	1,320	-
Operating transfer out	(238,000)	(238,000)	-	(264,000)
Other outgoing transfers	(22,500)	(19,119)	3,381	(210,265)
Loan payments	(110,000)	(110,000)	-	(113,898)
TOTAL OTHER FINANCING SOURCES (USES)	(290,500)	(283,003)	7,497	(471,336)

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
SPECIAL ITEMS:				
Sale of fixed assets	<u>-</u>	<u>885</u>	<u>885</u>	<u>2,100</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING US \$	<u>(428,848)</u>	<u>(393,209)</u>	<u>\$ 35,639</u>	<u>(178,133)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>536,144</u>		<u>714,277</u>
FUND BALANCE, END OF YEAR		<u>\$ 142,935</u>		<u>\$ 536,144</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Taxes:				
Current taxes	\$ 1,424,154	\$ 1,449,797	\$ 25,643	\$ 1,347,908
Other taxes	13,150	18,771	5,621	13,594
Penalties & interest on delinquent taxes	4,350	7,050	2,700	4,120
Total taxes	<u>1,441,654</u>	<u>1,475,618</u>	<u>33,964</u>	<u>1,365,622</u>
Other:				
State grant	-	-	-	6,195
Miscellaneous	13,500	11,611	(1,889)	10,015
TOTAL REVENUES	<u>1,455,154</u>	<u>1,487,229</u>	<u>32,075</u>	<u>1,381,832</u>
EXPENDITURES:				
Interest on bonds	664,501	652,346	12,155	685,186
Redemption of bond principle	790,253	790,253	-	765,163
Tax collection fees	5,225	5,516	(291)	5,161
Other expense	10,975	3,751	7,224	12,835
TOTAL EXPENDITURES	<u>1,470,954</u>	<u>1,451,866</u>	<u>19,088</u>	<u>1,468,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,800)	35,363	51,163	(86,513)
OTHER FINANCING SOURCES (USES)				
School Bond Loan Fund proceeds	15,800	15,800	-	91,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>51,163</u>	<u>\$ 51,163</u>	<u>4,487</u>
FUND BALANCE, BEGINNING OF YEAR		<u>49,354</u>		<u>44,867</u>
FUND BALANCE, END OF YEAR		<u>\$ 100,517</u>		<u>\$ 49,354</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

					Totals	
	School Service	Athletic	Capital Project	Community Services	Memorandum Only 2007	2006
ASSETS AND OTHER DEBITS						
Cash	\$ 22,059	\$ 19,685	\$ 26,724	\$ 23,045	\$ 91,513	\$ 40,220
Receivables	18,041	3,587	-	72	21,700	24,664
Due from other funds	7,469	318	-	2,030	9,817	8,749
Due from governmental units	18,334	-	-	-	18,334	18,198
Inventory	25,955	-	-	-	25,955	27,706
Total local sources	<u>\$ 91,858</u>	<u>\$ 23,590</u>	<u>\$ 26,724</u>	<u>\$ 25,147</u>	<u>\$ 167,319</u>	<u>\$ 119,537</u>
LIABILITIES						
Accounts payable	\$ 8,633	\$ 2,029	\$ -	\$ 69	\$ 10,731	\$ 10,170
Accrued expenses	710	521	-	-	1,231	2,310
Due to other funds	318	3,842	25,704	-	29,864	34,733
Deferred revenues	-	-	-	-	-	-
Other liabilities	2,502	-	-	-	2,502	1,107
TOTAL LIABILITIES	<u>12,163</u>	<u>6,392</u>	<u>25,704</u>	<u>69</u>	<u>44,328</u>	<u>48,320</u>
FUND EQUITY:						
Fund balance - unreserved	53,740	17,198	1,020	25,078	97,036	43,511
Fund balance - reserved	25,955	-	-	-	25,955	27,706
TOTAL FUND EQUITY	<u>79,695</u>	<u>17,198</u>	<u>1,020</u>	<u>25,078</u>	<u>122,991</u>	<u>71,217</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 91,858</u>	<u>\$ 23,590</u>	<u>\$ 26,724</u>	<u>\$ 25,147</u>	<u>\$ 167,319</u>	<u>\$ 119,537</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
June 30, 2007

					Totals	
	School	Athletic	Capital	Community	Memorandum Only	
	Service		Project	Services	2007	2006
REVENUES						
Local sources:						
School service	\$ 404,893	\$ -	\$ -	\$ -	\$ 404,893	\$ 370,795
Athletic	-	75,593	-	-	75,593	82,770
Community service	-	-	-	32,927	32,927	50,175
Capital projects	-	-	15,148	-	15,148	4
Total local sources	404,893	75,593	15,148	32,927	528,561	503,744
State sources	18,034	-	-	-	18,034	13,932
Federal sources	149,602	-	-	-	149,602	141,508
TOTAL REVENUES	572,529	75,593	15,148	32,927	696,197	659,184
EXPENSES						
Salaries and wages	132,278	150,233	-	21,963	304,474	321,227
Employee benefits	84,544	42,426	-	5,297	132,267	142,101
Supplies, materials, and other	308,945	119,959	40,132	2,650	471,686	448,175
TOTAL EXPENDITURES	525,767	312,618	40,132	29,910	908,427	911,503
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	46,762	(237,025)	(24,984)	3,017	(212,230)	(252,319)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	238,000	-	-	238,000	264,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	46,762	975	(24,984)	3,017	25,770	11,681
FUND BALANCE, BEGINNING OF YEAR	32,933	16,223	26,004	22,061	97,221	85,540
FUND BALANCE, END OF YEAR	\$ 79,695	\$ 17,198	\$ 1,020	\$ 25,078	\$ 122,991	\$ 97,221

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
SCHOOL SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 8,156	\$ 7,779	\$ (377)	\$ 7,752
A-La-Carte	105,000	99,414	(5,586)	104,396
Special milk	2,700	2,693	(7)	2,395
Breakfast	12,500	12,784	284	11,167
Student lunches	3,400	3,445	45	2,997
School store revenue	10,000	4,282	(5,718)	1,807
Vending machines	163,000	159,430	(3,570)	146,122
Earnings on investments	1,000	943	(57)	662
Miscellaneous	<u>111,000</u>	<u>114,123</u>	<u>3,123</u>	<u>93,497</u>
Total local sources	<u>416,756</u>	<u>404,893</u>	<u>(11,863)</u>	<u>370,795</u>
State sources	<u>16,000</u>	<u>18,034</u>	<u>2,034</u>	<u>13,932</u>
Federal sources:				
School lunch program	122,000	122,372	372	116,218
USDA entitlements	22,713	27,052	4,339	21,653
USDA bonus entitlements	<u>2,162</u>	<u>178</u>	<u>(1,984)</u>	<u>3,637</u>
Total federal sources	<u>146,875</u>	<u>149,602</u>	<u>2,727</u>	<u>141,508</u>
TOTAL REVENUES	<u>579,631</u>	<u>572,529</u>	<u>(7,102)</u>	<u>526,235</u>
EXPENDITURES:				
Salaries and wages	131,700	132,278	(578)	130,954
Total employee benefits	84,482	84,544	(62)	85,623
Supplies, materials, and other	<u>360,026</u>	<u>308,945</u>	<u>51,081</u>	<u>313,252</u>
TOTAL EXPENDITURES	<u>576,208</u>	<u>525,767</u>	<u>50,441</u>	<u>529,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 3,423</u>	<u>46,762</u>	<u>\$ 43,339</u>	<u>(3,594)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>32,933</u>		<u>36,527</u>
FUND BALANCE, END OF YEAR		<u>\$ 79,695</u>		<u>\$ 32,933</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
ATHLETIC FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Athletics	\$ 2,317	\$ 1,123	\$ (1,194)	\$ 10,322
Football	10,950	10,950	-	5,480
Girls basketball	18,487	18,487	-	20,248
Boys basketball	12,347	12,347	-	7,077
Hockey	17,447	17,447	-	13,717
Swim team	3,328	3,328	-	2,351
Ski Team	-	3,587	3,587	6,678
Track	2,576	2,576	-	3,047
Golf	600	600	-	690
Cross Country	3,982	3,982	-	3,974
Volleyball	1,166	1,166	-	3,345
Cheerleaders	-	-	-	220
Pop fund	-	-	-	5,621
Total local sources	<u>73,200</u>	<u>75,593</u>	<u>2,393</u>	<u>82,770</u>
EXPENDITURES:				
Athletics	56,106	53,799	2,307	67,533
Cross country	6,687	8,312	(1,625)	7,672
Football	45,661	45,661	-	46,434
Girls basketball	48,721	48,720	1	47,060
Boys basketball	36,354	36,354	-	28,697
Hockey	38,140	38,140	-	37,592
Ski team	14,346	14,346	-	13,356
Swim team	10,390	10,390	-	8,524
Track	28,971	29,886	(915)	30,516
Golf	3,205	4,312	(1,107)	4,285
Cheerleaders	1,776	1,776	-	5,645
Volleyball	20,843	20,846	(3)	21,448
Pop fund	-	76	(76)	9,943
TOTAL EXPENDITURES	<u>311,200</u>	<u>312,618</u>	<u>(1,418)</u>	<u>328,705</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(238,000)	(237,025)	975	(245,935)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>238,000</u>	<u>238,000</u>	-	<u>238,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	975	<u>\$ 975</u>	(7,935)
FUND BALANCE, BEGINNING OF YEAR		<u>16,223</u>		<u>24,158</u>
FUND BALANCE, END OF YEAR		<u>\$ 17,198</u>		<u>\$ 16,223</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Earnings on investments	\$ -	\$ 720	\$ 720	\$ 4
Rentals	14,128	14,428	300	-
TOTAL REVENUES	<u>14,128</u>	<u>15,148</u>	<u>1,020</u>	<u>4</u>
EXPENDITURES:				
Repairs	<u>40,132</u>	<u>40,132</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,004)	(24,984)	1,020	4
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (26,004)</u>	(24,984)	<u>\$ 1,020</u>	26,004
FUND BALANCE, BEGINNING OF YEAR		<u>26,004</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,020</u>		<u>\$ 26,004</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
COMMUNITY SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Kindergarten child care	\$ 27,159	\$ 28,648	\$ 1,489	\$ 42,218
Swim lessons	1,100	1,095	(5)	1,965
Latchkey	-	-	-	750
Basketball camp	-	-	-	2,233
GED	2,300	2,585	285	2,780
Golf	-	599	599	229
Total local sources	<u>30,559</u>	<u>32,927</u>	<u>2,368</u>	<u>50,175</u>
EXPENDITURES:				
Kindergarten child care	24,182	23,599	583	42,344
Swim lessons	2,050	1,966	84	2,972
Latchkey	-	-	-	499
Adult enrichment	-	-	-	564
Basketball camp	-	-	-	2,232
GED	<u>4,327</u>	<u>4,345</u>	<u>(18)</u>	<u>4,358</u>
TOTAL EXPENDITURES	<u>30,559</u>	<u>29,910</u>	<u>649</u>	<u>52,969</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>-</u>	3,017	\$ <u>3,017</u>	(2,794)
FUND BALANCE, BEGINNING OF YEAR		<u>22,061</u>		<u>24,855</u>
FUND BALANCE, END OF YEAR		\$ <u>25,078</u>		\$ <u>22,061</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOLS
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS:				
Cash	\$ 153,614	\$ 381,980	\$ 422,735	\$ 112,859
LIABILITIES:				
Due to general fund	\$ 79,500	\$ 124,945	\$ 175,278	\$ 29,167
Due to organization and class funds	74,114	257,035	247,457	83,692
TOTAL LIABILITIES	\$ 153,614	\$ 381,980	\$ 422,735	\$ 112,859

HOUGHTON-PORTAGE TOWNSHIP SCHOOLS
SCHOLARSHIP FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS:				
Cash	<u>\$ 146,996</u>	<u>\$ 11,454</u>	<u>\$ 4,727</u>	<u>\$ 153,723</u>
LIABILITIES:				
Due to general fund	-	-	2,000	2,000
Scholarship funds	<u>146,996</u>	<u>11,454</u>	<u>6,727</u>	<u>151,723</u>
TOTAL LIABILITIES	<u>\$ 146,996</u>	<u>\$ 11,454</u>	<u>\$ 6,727</u>	<u>\$ 153,723</u>

FEDERAL AWARDS PROGRAMS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Houghton-Portage Township School District
Houghton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of and for the year then ended June 30, 2007, which collectively comprise the Houghton-Portage School District's basic financial statements and have issued our report thereon dated October 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Houghton-Portage Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Houghton-Portage Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Houghton-Portage Township School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Houghton-Portage Township School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Houghton-Portage Township School District's financial statements is more than inconsequential and will not be prevented or detected by the Houghton-Portage Township School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Houghton-Portage Township School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houghton-Portage Township School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Houghton-Portage Township School District in a separate letter dated October 25, 2007.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 25, 2007



Bruce A Rukkila, CPA, PC



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Houghton-Portage Township School District
Houghton, Michigan

Compliance

We have audited the compliance of Houghton-Portage Township School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Houghton-Portage Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Houghton-Portage Township School District's management. Our responsibility is to express an opinion on Houghton-Portage Township School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houghton-Portage Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Houghton-Portage Township School District's compliance with those requirements.

In our opinion, Houghton-Portage Township School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Houghton-Portage Township School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Houghton-Portage Township School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Houghton-Portage Township School District's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Houghton-Portage Township School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of and for the year then ended June 30, 2007, and have issued our report thereon dated October 25, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Houghton-Portage Township School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 25, 2007

HOUGHTON-PORTAGE TOWNSHIP SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Grant Award Amount	Accrued Revenue 07/01/06	Current Year Receipts	Current Year Expenditures	Accrued Revenue 06/30/07
U.S. Department of Education:						
Passed Through MDE						
Title I Part A Grant 061530-0506	84.010	\$ 184,704	\$ 13,702	\$ 13,702	\$ 0	\$ 0
Title I Part A Grant 061530-0607	84.010	16,537	0	16,537	16,537	0
Title I Part A Grant 071530-0607	84.010	201,241	0	201,241	201,241	0
		<u>402,482</u>	<u>13,702</u>	<u>231,480</u>	<u>217,778</u>	<u>0</u>
Even Start 070390 A0710IES	84.213	22,665	0	22,665	22,665	0
Even Start 060390 A0710IES	84.213	202,335	0	202,335	202,335	0
		<u>225,000</u>	<u>0</u>	<u>225,000</u>	<u>225,000</u>	<u>0</u>
Service Provider Self Review	84.027A	1,314	0	1,314	1,314	0
Title V LEA Allocation 070250-0607	84.298	922	0	922	922	0
Title II Part D Grant 074290-0607	84.318	2,066	0	2,066	2,066	0
Title II Part A Grant 070520-0607	84.367	67,692	0	67,692	67,692	0
Total U.S. Department of Education		<u>699,476</u>	<u>13,702</u>	<u>528,474</u>	<u>514,772</u>	<u>0</u>
U.S. Department of Agriculture:						
Passed Through MDE						
National School Lunch						
Section 4 - All Lunches 061950	10.555	29,820	4,177	7,410	3,232	0
Section 4 - All Lunches 071950	10.555	23,535	0	19,727	23,535	3,808
Section 11 - Free & Reduced 061960	10.555	77,433	12,019	20,998	8,980	0
Section 11 - Free & Reduced 071960	10.555	73,186	0	61,332	73,186	11,854
Snacks 061980	10.555	1,881	339	814	476	0
Snacks 071980	10.555	1,712	0	1,247	1,712	465
		<u>207,567</u>	<u>16,535</u>	<u>111,528</u>	<u>111,121</u>	<u>16,127</u>
Breakfast 061970	10.553	9,818	1,663	2,909	1,245	0
Breakfast 071970	10.553	10,006	0	7,836	10,006	2,170
		<u>19,824</u>	<u>1,663</u>	<u>10,745</u>	<u>11,251</u>	<u>2,170</u>
Food Distribution - Entitlement	10.550	27,052	0	27,052	27,052	0
Food Distribution - Bonus Commodities	10.550	178	0	178	178	0
		<u>27,230</u>	<u>0</u>	<u>27,230</u>	<u>27,230</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>254,621</u>	<u>18,198</u>	<u>149,503</u>	<u>149,602</u>	<u>18,297</u>
TOTALS		<u>\$ 954,097</u>	<u>\$ 31,900</u>	<u>\$ 677,977</u>	<u>\$ 664,374</u>	<u>\$ 18,297</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOLS
SCHEDULE OF FEDERAL ASSISTANCE
PROVIDED TO SUB-RECIPIENTS
JUNE 30, 2007

Sub-recipients Program Title/ Project Number	CFDA Number	Grant Award	Amount Transferred/ Payable
Even Start	84.213		
Baraga-Houghton-Keweenaw Child Development		\$ 225,000	\$ 225,000

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2007

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's federal financial assistance.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with the prior year audited figures.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 54 of these financial statements is \$664,374.

The amounts reported as current payments on the MDE grant reports prepared by the State of Michigan, reconcile to the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE grant reports	\$ 1,120,931
Less Prior Year Revenue:	
Title II Part D	(3,754)
Title I Part A	(184,704)
Title II Part A	(68,597)
Title V Part A	(1,832)
Even Start	(225,000)
National School Lunch Account Receivables::	
Current Year	18,297
Prior Year	(18,198)
Food Commodities	27,230
Rounding	<u>1</u>
Schedule of Expenditures of Federal Awards	<u><u>\$ 664,374</u></u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	84.213	Even Start
	10.555	National School Lunch
	10.553	School Breakfast Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Bruce A Rukkila, CPA, PC



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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Houghton-Portage Township School District
Houghton, Michigan

In connection with our audit of the financial statements of Houghton-Portage Township School District, as of and for the year ended June 30, 2007, the following concerns regarding the accounting records, procedures, and the internal control structure came to our attention and are presented for your consideration.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

It has been a pleasure to provide audit services to the Houghton-Portage Township School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 25, 2007